No. 89-1724

IN THE

Supreme Court of the United States

OCTOBER TERM, 1989

CELEBRITY WORLD, INC. and JOHN LEDES,

Petitioners,

vs.

CELEBRITY SERVICE INTERNATIONAL, INC.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

VINCENT J. BOCHIS
Attorney for Respondent
230 Roma Avenue
Staten Island, New York 10306
(718) 230-4630

QUESTIONS PRESENTED

Did the court of appeals properly affirm the district court's finding that petitioners' deliberate, wilful and malicious acts of trademark infringement and unfair competition caused respondent economic injury and that treble damages for such wilful infringement were permitted under Section 35 of the Lanham Trademark Act, 15 U.S.C. 1117(a)?

Does New York law permit an award of punitive damages for deliberate, wilful and malicious acts of unfair competition?

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CELEBRITY WORLD, INC. and JOHN LEDES,

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CELEBRITY SERVICE INTERNATIONAL, INC.,

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On Petition for Writ of Certiorari
to the United State Court of Appeals
for the Second Circuit

RESPONDENT'S BRIEF IN OPPOSITION

OPINIONS BELOW

The opinion of the district court (R. App. A-1-17) is reprinted as Appendix A.[1]

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[1] "R. App." refers to respondent's appendix printed herein. "P. App." refers to petitioners' appendix.

The court of appeals opinions are printed in petitioners' Appendices A and B.

STATEMENT OF THE CASE

This case concerns wilful and deliberate trademark infringement and pendent claims of unfair competition. The court of appeals upheld the district court's award of treble damages (P. App. A-1-8)[2] and denied the application for a rehearing (P. App. B-1-2).

In 1938, Earl Blackwell ("Blackwell") formed Celebrity Service, Inc. to provide unique telephone information services under the mark CELEBRITY SERVICE. Blackwell

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[2] Even though the district court awarded respondent damages for defamation and tortious interference and attorneys fees, petitioners, at 6, seek only to review the award for infringement and unfair competition. Attorneys fees may only be awarded in "exceptional cases." 15 U.S.C. 1117(a). By failing to contest this award, petitioners have tacitly conceded that this case is "exceptional". See, Transgo, Inc. v. AJAC TRANSMISSION Parts Corp., 768 F.2d 1001, 1025-26. (9th Cir. 1985), cert. denied 474 U.S. 1059 (1986).

collected, compiled, stored and updated confidential information on celebrities and other figures in the entertainment, literary, sports and political areas and made this information available to subscribers (R. App. B-2-3).

Blackwell also published the CELEBRITY BULLETIN, an up to the minute newsletter on famous individuals, and the CELEBRITY REGISTER, consisting of bound volumes of biographical information on well over thousands of celebrities. In 1938, 1939 and 1959, respectively, Blackwell federally registered the CELEBRITY SERVICE and CELEBRITY BULLETIN and CELEBRITY REGISTER service marks (R. App. B-4-6).

In 1984, Blackwell decided to sell his business. In 1985, Blackwell sold all of his assets, for $1,100,000, to respondent, plaintiff below, Celebrity

Service International, Inc.'s ("Celebrity Service"), predecessor-in-interest Bagley-Venetoulis Communications Company ("Bagley-Venetoulis") (R. App. B-10).

Petitioner John Ledes ("Ledes"), an attorney and a defendant below, had actively pursued the purchase of Blackwell's business and, upon learning that he had lost the purchase, formed petitioner Celebrity World, Inc. ("Celebrity World"), defendant below, to compete with respondent Celebrity Service. Ledes took every unfair measure in his deliberate attempts to misappropriate Celebrity Service's business, customer lists and information and drive respondent out of business (P. App. 4-12, R. App. B-10-12, 14, 19-20, 24).

On November 10, 1986, Celebrity Service commenced this action for damages

against Ledes and Celebrity World for injunctive relief and damages resulting from petitioners' intentional and malicious acts of tradename, trademark and service mark infringement; unfair competition; libel, and tortious interference with business relationships (P. App. A-3, D-2-3, R. App. B-1). On November 17, 1986, the district court temporarily restrained petitioners from using respondent's customer list and from disparaging respondent (R. App. B-1-2).

On January 3, 1989, the district court entered judgment in favor of Celebrity Service and jointly and severally against petitioners and awarded $248,745, as treble damages for trademark infringement and unfair competition; $13,002.25 for defamation; $15,000 for tortious interference with respondent's employees, and $182,215.70 in attorneys

fees. The judgment also found Ledes "personally liable for an award to plaintiff of $100,000 in [concurrent] punitive damages..." (P. App. F-1-4).

Referring to the extensive written findings of fact which directly followed from the district court's assessment of the credibility of Ledes and the witnesses, the court of appeals affirmed the judgment of the lower court and later denied petitioners' application for a rehearing (P. App. A-1-8, B-1-2).

SUMMARY OF ARGUMENT

The court of appeals' affirmance of the district court's findings is correct and presents no issue which warrants this Court's review.

Petitioners misrepresent, at 17, that "the record is devoid of evidence that the infringer's conduct diverted any sale." Petitioners ignore the fact that the district court found that, by reason of their unlawful conduct, petitioners secured fifty-two subscribers for the information services which petitioners could provide only by creating confusion through the misappropriation of respondent's marks and by stealing outright the information from respondent.

Petitioners, at 13-14, incorrectly postulate that, the court of appeals' affirmance was wrong, as a matter of law,

because the district court's award of treble damages, based on findings that Ledes had lied under oath and had infringed and committed acts of unfair competition, could be construed to be punitive and, therefore, improper under the Lanham Act. Petitioners disregard the specific directive of Section 35 of the Lanham Act, 15 U.S.C. 1117(a), that, if the court finds that the amount of the recovery based upon profits is inadequate, "the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum shall constitute compensation and not a penalty." (Emphasis added)

Petitioners have also ignored the district court's extensive findings of fact and its reliance upon statute and case law which permit treble damages for actual

willful infringement and punitive damages under New York unfair competition Law.

ARGUMENT

THE COURT OF APPEALS' ACCEPTANCE OF THE DISTRICT COURT'S FINDINGS WAS CORRECT

Petitioners' daringly disingenuous argument attempts to capitalize upon their very wrongful acts which the district court found to be "outrageous" and "deliberate, willful and wanton" (R. App. B-2, 11, 15).

Petitioners misrepresent that there was no evidence to support the award of treble damages. The record, however, supports the district court's finding that petitioners had "committed trademark infringement and unfair competition in violation of the New York common law" (R. App. B-6) and misused respondent's proprietary information to service fifty-two "subscribers who would have otherwise subscribed to [respondent] in order to receive goods and services of the same nature. [Petitioners] have thus directly

diverted profits from [respondent].." (R. App. B-19-20).

Noting that respondent "alone" could have performed these services "had not Ledes deliberately misappropriated [respondent's] employees and lists, and defamed [respondent]," the district court concluded, "Therefore, clearly there is a sufficient basis to make an 'educated computation of damages....' Lexington Products, Ltd. v. B.D. Communications, 677 F.2d 251, 254 (2d Cir. 1982)." (P. App. E-6).

The district court properly based the measure of damages for trademark infringement and unfair competition upon the loss of revenues attributable to petitioners' fifty-two subscribers, and exercising its discretion, trebled the

award under the Lanham Act, 15 U.S.C. 1117(a).

Federal Rule of Civil Procedure 52(a) sets the standard for appellate review that findings of fact "shall not be set aside unless clearly erroneous and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses."

The court of appeals properly declined to overrule the district court's findings "particularly since so many flow from the district court's assessment of the credibility of Ledes and other witnesses" (P. App. A-6). Anderson v. City of Bessemer, N.C., 470 U.S. 564, 573-574 (1985); Otis Clapp & Sons, Inc. v. Filmore Vitamin Company, 754 F.2d 738, 744-745 (7th Cir. 1985); Holiday Inns, Inc. v. C.H. Alberding, 683 F.2d 931, 935 (5th Cir.

1982); Indiana State Employees Assn., Inc. v. Nealey, 501 F.2d 1239, 1241-1242 (7th Cir. 1974).

Petitioners erroneously argue that the failure of respondent to present testimony by petitioners' subscribers is fatal to the damage award.[3] Besides forgetting that their egregious and deliberate conduct resulted in the diversion of profits, petitioners fail to consider that compensation for diverted profits is not speculative and is an appropriate measure of damages. Howard Johnson Co. v. Khimani, 892 F.2d 1513, 1519-1520 (11th Cir. 1990); Ramada Inns, Inc. v. Gadsden Motel Co., 804 F.2d 1562, 1565 (11th Cir. 1986); Monsanto Chemical Co. v. Perfect Fit Products Mfg. Co., 349 F.2d 389, 396-397 (2d Cir. 1965); Sun

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[3] Petitioners themselves did not call as witnesses any of these subscribers (Petition at 10-11).

Products Group, Inc. v. B & E Sales Co., Inc., 700 F.Supp. 366, 386 (E.D. Mich. 1988); see also Burger King Corp. v. Mason, 710 F.2d 1480, 1495 (11th Cir. 1983), cert. denied 465 U.S. 1102 (1984).

Petitioners, at 9-10, also assert that their enterprise had losses and a negative net worth. This is of no consequence because the courts have refused to penalize a mark owner because of the infringer's inefficiency. Otis Clapp & Sons, Inc. v. Filmore Vitamin Company, 754 F.2d 738, 744 (7th Cir. 1985); see U-Haul Intern. Inc. v. Jartran, Inc., 793 F.2d 1034, 1042 (9th Cir. 1986).

PUNITIVE DAMAGES FOR UNFAIR COMPETITION ARE APPROPRIATE.

Citing Getty Petroleum Corp. v. Bartco Petroleum Corp., 858 F.2d 103 (2d Cir. 1988), cert. denied, ___ U.S. ___, 109 S.Ct. 1642 (1989), petitioners argue that the damage award should not stand because punitive damages are not available under 15 U.S.C. 1117(a).

Unlike the case at bar, plaintiff, in Getty-Bartco, withdrew all of its state unfair competition claims and the jury only considered plaintiff's trademark infringement cause of action. The court of appeals concluded that, in these circumstances, punitive damages were not authorized under the Lanham Act.

Incredibly, petitioner fails to consider Getty Petroleum Corp. v. Island Transportation Corp., 878 F.2d 650 (2d Cir. 1989), in which, as here, the non-Lanham

Act claims were not withdrawn or dismissed and defendant-appellant argued that punitive damages were not available for the pendent claims of unfair competition. The court of appeals found that plaintiff had, as has respondent at bar, proved its claims for unfair competition and, determined, at 657: "we see no merit in [appellant's] contention that punitive damages are not available under New York law for a claim of unfair competition. Such damages are available under New York law where a 'defendant's conduct has constituted "gross, wanton, or willful fraud or other morally culpable conduct" to an extreme degree.' (citing cases)."[4] See, Transgo, Inc. v. AJAC Transmission Parts Corp., 768

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[4] Although Getty-Island discusses a New York "fraud aimed at the public" requirement for punitive damages "in certain circumstances," that requirement has no application here because petitioners' conduct was sufficiently gross, willful, contumacious and publicly deceptive to warrant punitive damages. (R. App. A-15-16, B-12-13, 25).

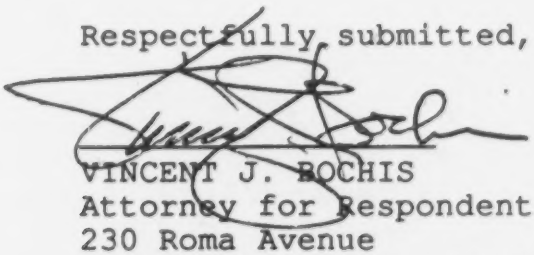
F.2d 1001, 1024 (9th Cir. 1985), cert. denied 474 U.S. 1059 (1986); Roy Export Co. Estab. of Vaduz v. Columbia Broadcasting System, Inc., 672 F.2d 1095, 1106 (2nd Cir. 1982), cert. denied 459 U.S. 826 (1982).

At bar, the district court found and the court of appeals agreed that, because substantial evidence had demonstrated that petitioners committed outrageous acts of infringement and willful, wanton and deliberate acts of unfair competition, damage awards were appropriate. It is respectfully submitted that petitioners have not submitted any justification for granting this petition.

CONCLUSION

Under the facts and the law, respondent is entitled to the damages awarded. It is respectfully submitted that this petition is frivolous and should be denied.

Respectfully submitted,



VINCENT J. BOCHIS
Attorney for Respondent
230 Roma Avenue
Staten Island, New York
10306
(718) 230-4630

EXHIBIT A

APPENDIX A

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
----------X

CELEBRITY SERVICE INTERNATIONAL, INC.,

Plaintiff,

v.

CELEBRITY WORLD, INC., JOHN LEDES and ERICA FURS a/k/a "Erica Kirkland,"

Defendants.

85 Civ. 8593(RO)

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July 29, 1987

Before:

HON. RICHARD OWEN,

District Judge

(Excerpt)

THE COURT: Counsel, I am prepared to rule. I am going to issue some

supplemental findings of fact and conclusions of law hereafter in formal form as submitted to me when I have had the chance to put them in polished form.

The facts, as I find them here, and the events as I have listened to them starting back in late June and culminating in the testimony of Mr. Ledes are such that this case requires a speedy, firm expression of the Court's feelings about what it has listened to. It brooks of no delay not only because of the relief that is required but because of the outrageousness of what I have listened to here.

So the following constitutes the Court's first set -- if you want to call it that -- of findings of fact and conclusions of law. It will be necessarily disjointed because I haven't

had the chance to put them in polished language. It will certainly leave no doubt as to where I stand.

I am finding for the plaintiff here. I find that the plaintiff bought a mark, trademark, service mark that had been in existence for over 40 years in a very limited but specialized field, where it had enormous meaning in the area in which it served.

The term Celebrity Service, Celebrity Register, Celebrity this and that was and is a strong mark. It means a lot to people.

I am not going to get into the niceties, but the cases say that it is perfectly obvious that the word "celebrity" is something that means something. Any ad agency, newspaper, TV station, subscriber knows exactly what

they are talking about when they are talking about Celebrity Service.

It is a mark that is entitled to be protected in the Trademark Office, which I herewith do with the relief I am going to give hereafter.

I find that Mr. Ledes, who had been the only negotiator apparently for some time here, and then discovered that this plum had been wrested from him at the last minute after concededly some expense and some expectation that it would be his. Whether it was his nature before it is certainly his nature now, he was so filled with hatred and malice and outrage, I saw that on the witness stand about ever 15 or 20 minutes some question got under his skin, and I saw that hatred and that malice and that outrage come through.

He thought this mark was going to be his. It was not. And when it wasn't his, he decided that it was damn well going to be his no matter what it took.

He took the name. He took the confidential customer list to the extent it was given him. He tried to take all the employees. He tried to destroy the old 40, 50-year-old company in the public eye by defamatory writings. So that it would be his notwithstanding it had been bought away. He did this deliberately, wilfully, maliciously, filled with hatred and malice. He stole the secrets. He tried to steal the people.

And I am distressed to say this because he is a lawyer. Somewhere in his 63rd or 64th or 65th year of age, I suppose.

But I must say on this record that Mr. Ledes has lied to everybody. He has lied to the trade. He has lied to the Court. I find that on November 17, clearly, he lied to his lawyer. The catalogue is endless. He lied about the Marina Maher being started. He lied about the bankruptcy. He lied about knowing whether the lists were confidential. He lied about stealing the employees. He has lied about the circumstances of sending out the September 26 letter. He has lied about the conversation with Angela Wendkos having to do with raiding plaintiff. He lied to Norman Beier. He told Norman Beier the letter had been sent, but it had only been sent indiscriminately, because that is what Norman Beier represented to the Court, on the 17th of November, 1986. It was a false statement to Norman Beier.

He gave it to the Court, I am sure, in perfectly good faith.

He lied about the rolledex. He lied about the confidential list that he got from Mr. Sachar. A lot of this I observe as perjury under the federal statutes because he is under oath.

It was a sickening performance. Mr. Ledes was contradicted by practically every employee that ever worked for him, whether fresh or not fresh, whether they had been stolen away from Celebrity Service or came to him independently.

Obolensky contradicted him. Wendkos contradicted him. Furs contradicted him. Roz Lipps contradicted him. He contradicted himself.

In his deposition he said: Yes, the letter was sent out, but the things in it were substantially true.

He stands here and said: I never authorized it to be sent out. I was worried about terrorists in Paris, I wasn't thinking about the letter. I was never thinking about the letter.

The September 26, 1986 letter was false in particulars: (A) That there was a 50 percent loss of employees in the last few weeks, which I define in common, rough parlance to be three, four, five, six, seven weeks, tops. There was no showing whatever that any issue of Celebrity Service's bulletin had ever been missed or late. Never missed.

Those two statements were designed to make the trade think Celebrity Service was

a sinking ship, when it was not a sinking ship.

I am not passing judgment on whether Celebrity Service was smart in opening a Washington or a Los Angeles office and not being as profitable as it might otherwise have been. But the fact is that it was making money. It was a going organization. And in the demise attributed to it in that letter of September 26 was false and known to be false when sent out and Mr. Ledes authorized it to be sent out knowing that it was false.

I specifically find that he authorized his secretary to let it go out, knowing that it was false. It was mailed to Celebrity Service's subscriber list with the intent that they would think that they were the clients of a sinking ship,

would leave them and would go to the defendant.

I find that the fact that Ms. Wendkos, Mr. Ledes had the conversations that she described she had with him in the meeting of October 22, 1986. I find it incredible if they did not occur as Mr. Ledes testified they did not, that he would not have fired her right on the spot.

Instead of that, on the 30th of October he writes a letter, which I regard as papering over something, saying, well, I am going to give her another month to see if she doesn't come up with a decent marketing plan. I find it incredible that a lawyer and this banker -- whatever his name was -- sensitive to the impression that this memo would leave, and these conversations, would not say to

themselves: Good God, Angela has got to go to him and you have to put a memo in here rejecting all of this, this never happened, this girl is nuts, we want nothing to do with this, this is not true.

I find it incredible that this man is a CEO, although he denied it 25 different times, that a CEO wouldn't do something like this, on the record forthwith. I find it ludicrous that anybody would say Angela Wendkos, three days on the job, is entitled to a second chance.

The letter of September 26 was sent out. I find a deliberate wilful, wanton effort to destroy the plaintiff and to take its customers and as I have already said, I find that I was lied to in the courtroom, and November 17, 1986, with regard to the circumstances under which it was sent which were then as we see later

repudiated by Mr. Ledes on the stand when he said: I didn't even know it was sent. I was too busy in Paris with dinners and terrorists.

I reject his statement that he did not have an ability through Mr. Beier to get the proper facts before me that day, because we had an adjourment. Because I remember when the thing came in being quite puzzled at what I was hearing, and I demanded the reporter be brought so that I could get it as a matter of record. If there was any question of getting things straight on the record it could have been done.

Mr. Ledes said he in effect was so furious at Beier that that was the end of him, till I noticed that Beier was the lawyer on the deposition in February. So he couldn't have been that furious.

I am going to send this case to a Magistrate for accounting of profits and for hearing on damages. I am treating this proceeding before me as solely on the issue of liability and injunction.

I am also going to ask the Magistrate to make a determination for the Court as to what the assets of Celebrity World are and what the assets of Mr. Ledes are, and to report to the Court for the purpose of the Court here affixing punitive damages.

I regard this conduct as so outrageous that punitive damages are completely justifiable (sic) both against the corporate defendant and against Mr. Ledes personally.

I am directing that an injunction be issued immediately, permanently as is set forth in paragraph 87 of plaintiff's

proposed findings of fact and conclusions of law in haec verba.

If plaintiff wishes to submit a further formal statement in writing hereafter, the Court will accept it and needless to say the defendants have the right to submit a counterproposal should they feel that the injunction goes beyond anything that this case warrants. But in any event as of this moment the language of paragraph 87 proposed findings and conclusions of the plaintiff, page 41 are made the injunction of this Court, which is forthwith in effect.

I am saying that I am awarding an accounting for profits. I am awarding damages resulting from the invasion of the contract, resulting from the defamation, resulting from the unfair competition. The Magistrate is to report to me after the

hearing at which the parties may appear as to what the Magistrate finds and to report to the Court the damages and the accounting for profits.

As I gather the law permits, I herewith terminate to the plaintiff any hearing that exists in the Patent and Trademark Office having to do with any question as to the right of the plaintiff to the use of its mark free from any interference whatsoever by any of the defendants.

All this relief is awarded against Mr. Ledes individually by reason of his personal, deliberate, malicious, wilful, contumacious conduct toward the plaintiff, which he has exhibited throughout the course of this trial and made a matter of record.

I award an injunction against Erica Furs, against any violation of any contractual rights she may have with the plaintiff.

And you may submit a proposed injunction against her for the Court to sign.

I deny the Rule 11 request for relief. However, I am under all the circumstances awarding you attorneys' fees and costs and disbursements for the expenses of this trial and the expenses of the motions for preliminary injunction, given the deliberative and wilful and wanton conduct of defendant Celebrity World, Inc. and its chief executive officer, John Ledes.

I will file some additional and more formal findings hereafter. But those

constitute the Court's findings and conclusions.

EXHIBIT B

APPENDIX B

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
----------X

CELEBRITY SERVICE INTERNATIONAL, INC.,

Plaintiff,

v.

CELEBRITY WORLD, INC., JOHN LEDES, ANGELA WENDKOS and ERICA FURS a/k/a ERICA KIRKLAND,

Defendants.

86 Civ. 8593 (RO)

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THE COURT'S ADDITIONAL FINDINGS
OF FACT AND CONCLUSIONS OF LAW

B. History of Proceedings

4. This action was commenced by Celebrity Service on November 10, 1986. On

November 17, 1986, this Court granted Celebrity Service's motion for a Temporary Restraining Order against Celebrity World and Ledes, restraining said defendants from using the customer list of Celebrity Service "in any way, shape or form" and from disparaging Celebrity Service "by defamatory statements or innuendo" (November 17, 1986 Hearing Transcript, pp. 16, 17). The case was tried to the Court without a jury commencing on June 22, 1987.

C. Celebrity Service's Business and Trademarks

5. Celebrity Service, by its predecessor-in-interest, first adopted and commenced rendering telephone information services under the mark CELEBRITY SERVICE in 1938. For almost 50 years, Celebrity Service has collected, compiled and stored information on celebrities and others in

the entertainment, literary, sports and political fields which it, in turn, discloses to the subscribers to its telephone services upon specific request. Each subscriber is required to identify the individuals, up to a maximum of 3, who are authorized to use the subscription to make telephone inquiries.

6. Celebrity Service retains information on over 165,000 famous individuals contained on index cards in numerous file drawers. The information is continuously updated and supplemented by a team of "researchers" employed by the company. Use of the mark CELEBRITY SERVICE in connection with plaintiff's telephone information services has been substantially continuous and exclusive from 1938 until the present.

7. Celebrity Service is the owner of United States Service Mark Registration No. 1,306,476 for the mark CELEBRITY SERVICE dated November 20, 1984. That registration covers "research services-namely, providing information about celebrities to various organizations" and claims use of the mark since 1938.

8. Celebrity Service, by its predecessor-in-interest, first commenced distribution of a daily newsletter entitled the "CELEBRITY BULLETIN" in 1939. The CELEBRITY BULLETIN newsletter, now published in both New York City and Los Angeles, contains information on and recites the "comings and goings" of celebrities and other famous individuals. Celebrity Service utilizes an extensive network of agents, public relations firms, and other industry contacts which it has

developed over the years, to permit it to provide the most comprehensive, accurate and up-to-the-minute information in its newsletter. Use of the mark CELEBRITY BULLETIN for said publications has been substantially continuous and exclusive since 1939 until the present.

9. Celebrity Service is the owner of United States Trademark Registration No. 1,375,799 for the mark CELEBRITY BULLETIN dated December 17, 1985. That registration covers "publications, namely, brochures, newsletters and reports" and claims use since 1939.

10. Celebrity Service, by its predecessor-in-interest, first published a reference book entitled the CELEBRITY REGISTER in 1959. The CELEBRITY REGISTER is a series of large bound volumes. Each edition of the CELEBRITY REGISTER contains

biographical information on and photographs of well over a thousand celebrities. The different editions of these CELEBRITY REGISTER Publications have appeared in 1959, 1963, 1973, & 1986. Use of the mark CELEBRITY REGISTER has been substantially continuous and exclusive since 1959.

11. In November 1985, the shareholders of Celebrity Service created a related corporation, Celebrity Register, Inc., to publish the 1986 edition of the CELEBRITY REGISTER series. Celebrity Service and Celebrity Register, Inc. have the identical shareholders. Celebrity Service continues to use the mark CELEBRITY REGISTER, and exercises actual control over the use of that mark by Celebrity Register, Inc. The use of the mark CELEBRITY REGISTER by Celebrity Register, Inc., a related company, inures to the benefit of Celebrity Service.

12. The predecessor-in-interest of Celebrity Service filed United States Trademark Application Serial No. 511,039 dated November 29, 1984, to register the mark CELEBRITY REGISTER for "publications, namely, brochures, newsletters and reference books." That application was assigned to Celebrity Service, subsequently approved by the United States Patent and Trademark Office, and published in the Trademark Official Gazette for opposition purposes on October 22, 1985. Defendant, Celebrity World, has instituted Opposition No. 73,415 to prevent issuance of registration for CELEBRITY REGISTER on the grounds that (a) CELEBRITY REGISTER is confusingly similar to defendant's mark CELEBRITY WORLD NEWS, (b) CELEBRITY REGISTER is merely descriptive, (c) the mark CELEBRITY REGISTER has not been used in commerce, and (d) Celebrity Service had

abandoned any rights in the mark CELEBRITY REGISTER. The facts established at trial demonstrate the confusing similarity of the marks, and refute the remaining claims recited in the Notice of Opposition.

13. Celebrity Service has, throughout the years, advertised and promoted its services under the mark CELEBRITY SERVICE and its publications under the marks CELEBRITY BULLETIN and CELEBRITY REGISTER. Since April 1985, Celebrity Service has expended in excess of $100,000 in advertising and promoting its services and publications.

14. Celebrity Service's revenues from the sale of its CELEBRITY BULLETIN and CELEBRITY REGISTER publications and its CELEBRITY SERVICE telephone services have totaled many tens of millions of dollars over the years. Celebrity Service had

revenues in excess of $850,000 for its fiscal year ending September 1986, and in excess of $600,000 from October 1986 through June 15, 1987.

15. As a result of the long, continuous and exclusive use and promotion of the marks CELEBRITY SERVICE, CELEBRITY BULLETIN and CELEBRITY REGISTER by Celebrity Service and its predecessors, said marks have come to be widely recognized by the public as an indication of source and are extremely strong marks.

D. The Dispute

16. Until the Spring of 1985, the marks CELEBRITY SERVICE, CELEBRITY BULLETIN and CELEBRITY REGISTER were owned and used by plaintiff's predecessor-in-interest, Mr. Earl Blackwell, through his businesses Celebrity Service, Inc. and Celebrity Register, Ltd.

17. In late 1984, Mr. Blackwell decided to sell his businesses. He negotiated with several interested parties, including defendant Ledes and plaintiff's President and principal shareholder, Vicki Bagley. In April 1985, Mr. Blackwell sold his business for over One Million Dollars to the Bagley-Venetoulis Communications Company ("Bagley-Ventoulis"), a Maryland corporation formed by Vicki Bagley and Theodore Venetoulis. Bagley-Venetoulis subsequently changed its name to Celebrity Service International, Inc., the plaintiff herein.

18. Upon learning that Mr. Blackwell had decided to sell his businesses to Bagley-Venetoulis rather than to him, Mr. Ledes decided to set up a competitive "celebrity tracking" business. For that purpose, Ledes promptly formed his own

company, defendant Celebrity World, in April, 1985.

19. While negotiating with Mr. Blackwell and his representatives for the purchase of Mr. Blackwell's businesses, Mr. Ledes had received a partial, representative list of Celebrity Service's subscribers. At that time, he understood that the list was disclosed in confidence.

35. Celebrity Service has presented evidence of a broad litany of unfair competition and predatory acts committed by Mr. Ledes and Celebrity World, including misappropriation of Celebrity Service's subscriber list, misappropriation of corporate property, tortious interference with business relations and widespread publication of per se defamatory statements, as discussed in greater detail, infra. Moreover, Mr. Ledes has been quoted

as stating that he was "out to get" and "kill" Ms. Bagley (President of Celebrity Service), intended to "wipe Ms. Bagley off the face of the Earth" and to "put Celebrity Service out of business."

36. In light of all the surrounding circumstances, the Court finds that Mr. Ledes adopted the mark CELEBRITY WORLD NEWS and the trade name "Celebrity World" in bad faith and with the intent of damaging plaintiff and confusing consumers. I therefor find a likelihood of confusion.

D. Defendants Have Committed Federal and Common Law Unfair Competition

(i) Section 43(a) of the Lanham Act

49. Section 43(a) of the Lanham Act contains two separate prohibitions against (a) false indications of origin, and (b) false representations or descriptions of one's own products or services.

50. The test for liability under the first "prong" of Section 43(a) is identical to the test utilized under traditional principles of trademark infringement and unfair competition, i.e., likelihood of confusion. Dallas Cowboy Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F.2d 200, 204 92d (2d Cir. 1979).

51. In view of the Court's finding that there is a likelihood of confusion arising from the concurrent use of Celebrity Service's CELEBRITY marks and the use of CELEBRITY WORLD and CELEBRITY WORLD NEWS by defendants, the Court finds, a fortiori, that defendants have also violated Section 43(a) of the Lanham Act.

52. The second "prong" of Section 43(a) proscribes any false representation or description, including false advertising, regarding the defendant's

goods or service. Vidal Sassoon, Inc. v. Bristol-Myers Co., 661 F.2d 272 (2d Cir. 1981). Not only literal falsities are prescribed. Section 43(a) also protects against misleading representations which tend to create a false impression. American Home Products v. Johnson & Johnson, 577 F.2d 160 (2d Cir. 1978).

53. Defendants have violated the second prong of Section 43(a) by covertly obtaining information from plaintiff's CELEBRITY BULLETIN newsletter and from plaintiff's telephone services and misrepresenting itself as the source of that information.

54. Defendants have also violated the second prong of Section 43(a) by disseminating Exhibits 21, 24 and 27, wherein defendants have misrepresented the nature, quality and the industry

acceptance of their own goods and services.

(ii) Common Law Unfair Competition

55. Celebrity Service bears a lesser burden of proof in establishing that defendants have committed acts of unfair competition under the common law of the State of New York than in establishing violations of the Lanham Act. Mortellito v. Nina of California, 335 F. Supp. 1288, 1295 (S.D.N.Y. 1972); Harlequin Enterprises v. Gulf & Western Corp., 644 F.2d 946, 950 (2d Cir. 1981) (secondary meaning not required under New York law).

56. The essence of an unfair competition claim under New York law is that the defendant has misappropriated the labor and expenditures of another. Saratoga Vichy Spring Co. Inc. v. Lehman, 625 F.2d 1037, 1044 (2d Cir. 1980).

57. The Court finds that Celebrity World and Ledes have committed trademark infringement and unfair competition in violation of the New York common law.

E. Defendants are Liable for Misappropriation of Corporate Property

58. The "misappropriation" doctrine is a judge-made offshoot of the general law of unfair competition, which finds its genesis in the Supreme Court's decision in International News Service v. Associated Press, 248 U.S. 215 (1918).

59. The facts of International News Service are remarkably similar to this case. International News Service and Associated Press were competitors in the business of news gathering. Plaintiff, Associated Press, at substantial cost and effort, gathered news items and

distributed such items to its member newspapers. International News Service engaged in a practice of obtaining the earliest copies of East Coast papers containing the Associated Press dispatches, lifting the news articles, either verbatim or through rewriting, and transmitting the articles to its member newspapers on the West Coast. The Court affirmed the lower court's ruling enjoining International News Service from appropriating the Associated Press news dispatches "until its commercial value as news ... has passed away", 248 U.S. at 247.

60. Celebrity Service has made a substantial investment of time, effort and money over a period of over 48 years in creating and developing its information gathering capabilities, and assembling its

storehouse of background information on celebrities.

61. Celebrity World, like the upstart International News Service, "is endeavoring to reap where it has not sown". Id., 248 U.S. at 239. From April, 1985 until its fraud was discovered in October, 1986, Celebrity World subscribed to plaintiff's CELEBRITY BULLETIN publication and CELEBRITY SERVICE telephone information service under the bogus name of "Marina Maher" for the purpose of appropriating the benefits of Celebrity Service's efforts over the last 48 years. It is clear that defendants themselves believed that their activity was wrongful. Otherwise, there would have been no need to falsify the name of the subscriber or the names of the individuals authorized to use the subscription.

62. Celebrity World employees have admitted to (a) covertly obtaining information requested by their subscribers from their competitor, Celebrity Service, (b) paraphrasing items in the CELEBRITY BULLETIN newsletter for use in the CELEBRITY WORLD NEWS, and (c) entering directly into its computer data base for future reference information contained in the CELEBRITY BULLETIN newsletter and CELEBRITY SERVICE Contact Book and obtained from plaintiff's telephone service.

63. Celebrity Service has been damaged by defendants' misuse of its Celebrity Service subscriptions. With a single year and a half subscription to Celebrity Service, Celebrity World was able to service the needs of its own 40 plus subscribers; subscribers who would

have otherwise subscribed to Celebrity Service in order to receive goods and services of the same nature. Defendants have thus directly diverted profits from Celebrity Service and damaged plaintiff.

64. The Court finds that Celebrity World and Ledes have misappropriated Celebrity Service's valuable celebrity information, that said defendants are enjoined from further acts of misappropriation, and are liable for damages arising from their wrongful acts.

F. Defendants are Liable for Diversion of Trade Secrets

65. The Restatement of Torts § 757 comment b(1939) defines a trade secret, in relevant part, as:

> any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over

competitors who do not know or use it. It may be a ... list of customers.

evidence as to the measures taken to guard the secrecy of its subscriber list, including the execution of confidentiality agreements by employees. Both Angela Wendkos and Erica Furs signed confidentiality agreements prior to leaving Celebrity Service and working at Celebrity World. Ms. Roslyn Lipps, as Celebrity Service's office manager, attended to the execution of confidentiality agreements by all other employees. Since she had already given her resignation, Ms. Lipps did not sign such an agreement. Nevertheless, Ms. Lipps had testified that she understood that she was under an obligation not to disclose the trade secrets of Celebrity Service, including its subscriber list.

69. Celebrity Service has presented further uncontroverted testimony that its subscriber list was never disclosed to those outside the business, except under express or implied confidentiality. I find that Ledes knew this list was confidential when he was given it during his negotiations to purchase the business.

70. The names on Celebrity Service's customer list are not "readily ascertainable". Celebrity Service primarily services a broad class of purchasers which can be defined as the "entertainment industry." That industry includes many thousands of persons and businesses. Although some of its subscribers, such as the major television networks, are readily identifiable members of that industry and are obvious "targets", they are not readily

identifiable as subscribers to plaintiff's products and services. Further, Celebrity Service has established that several individuals and/or departments at the major networks have separate subscriptions. Moreover, not all of the obvious targets, such as the networks, public relations firms and advertising agencies are subscribers of Celebrity Service. The subscribers within those large categories are not easily identifiable, but, rather, took Celebrity Service almost half a century to obtain. In any event, many of Celebrity Service's subscribers are not even in the obvious target categories. Plaintiff obtained the "unobvious" subscribers as a result of its activities and contacts made during the past five decades. It is telling that several of the "unobvious" subscribers

received Mr. Ledes' September 26, 1986 solicitations.

71. The Court finds that Celebrity World and Ledes have diverted the Celebrity Service subscriber list and used that list to their own benefit. They have been unjustly enriched thereby. Accordingly, the Court permanently enjoins defendants from all further use of Celebrity Service's subscriber list. The Court finds Celebrity World and Ledes liable for all profits made and for damages suffered by Celebrity Service arising from defendants' misappropriation and use of Celebrity Service's subscriber list.

35. Actual confusion has arisen as to the source of defendant's product and services including employees of both parties misdirected telephone calls and a misdirected payment by the public relations firm of Hill & Knowlton which consistently sent Celebrity World a check for $1,250.00. Hill & Knowlton was not a subscriber to, and had not been solicited by, Celebrity World. No letter accompanied the check, nor was there any indication of what the check was in payment for. Mr. Ledes instructed Ms. Lipps to deposit the check and send Hill & Knowlton the CELEBRITY WORLD NEWS. No refund was made by Celebrity World for the over payment of $250.00.

36. Hill & Knowlton had been a subscriber of Celebrity Service. At the time, a Celebrity World subscription was $1,000.00 and the Celebrity Service

subscription $1,250.00. The receipt of an unaccompanied check, is standard procedure when a Celebrity Service subscriber renews a subscription, since pertinent data, such as the name of the individual who receives the newsletter and the name of the individuals who are permitted to make phone inquiries, are already in the possession of Celebrity Service. Sending of just a check for a new subscription is unprecedented.